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**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric  
Company for Authority, Among Other Things,  
to Increase Rates and Charges for Electric and  
Gas Service Effective on January 1, 2023.

Application 21-06-021  
(Filed June 30, 2021)

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**JOINT MOTION OF PACIFIC GAS AND ELECTRIC COMPANY  
AND THE PUBLIC ADVOCATES OFFICE AT THE CALIFORNIA  
PUBLIC UTILITIES COMMISSION FOR APPROVAL OF A  
SETTLEMENT OF TRACK 2 ISSUES**

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Dated: January 6, 2023

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**1. INTRODUCTION**

Pursuant to Rule 12.1 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure (Rules), Pacific Gas and Electric Company (PG&E) and the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) (collectively the "Parties"), hereby move that the Commission approve and adopt the attached Settlement Agreement of all issues pending in Track 2 of this proceeding (Settlement).<sup>1</sup>

The Parties propose a resolution of the disputed issues pending in Track 2 of this General Rate Case (GRC). The Parties recommend that PG&E's total cost recovery for Track 2 memorandum and balancing accounts be established as \$183.353 million of expense recorded costs (a reduction of \$25.600 million to PG&E's total request of \$208.953 million) and \$126.666 million of capital recorded costs (a reduction of \$2.300 million to PG&E's total request of \$128.966 million). The Settlement resolves the following Track 2 issues:

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<sup>1</sup> Attachment A, *Settlement Agreement Between Pacific Gas and Electric Company and the Public Advocates Office at the California Public Utilities Commission on Track 2 Issues* (Settlement). Cal Advocates has authorized PG&E to file this motion on its behalf pursuant to Rule 1.8(d).

- Cost recovery for nine Gas Transmission and Storage (GT&S) memorandum or balancing accounts;
- Cost recovery for two Electric Distribution accounts;
- PG&E's proposal to close the Greenhouse Gas Expense Memorandum Account (GHGEMA);
- PG&E's proposal to recover the gas revenue requirement over two years;
- Reasonableness review for costs incurred in the Gas Storage Balancing Account (GSBA);
- Reasonableness review for costs incurred by PG&E in executing the Mobile Home Park (MHP) Pilot Program recorded in the Mobile Home Park balancing Account (MHPBA) for projects completed between January 1, 2018 and December 31, 2020; and
- Cost recovery for substation upgrades to enable Caltrain electrification and a re-affirmation of the 60 percent/40 percent cost allocation that was included in the settlement agreement between the Peninsula Corridor Joint Powers Board (Caltrain) and PG&E approved by the Commission in Decision (D.) 20-05-008.

In the sections that follow, the Parties demonstrate that Settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

## **2. BACKGROUND**

On June 30, 2021, PG&E filed Application (A.) 21-06-021 requesting the Commission to approve PG&E's Test Year 2023 GRC revenue requirement request and three attrition years. The request consisted of PG&E's expense and capital expenditure forecasts for base activities necessary for PG&E to operate its electric, gas and generation systems. In addition, PG&E requested cost recovery for amounts recorded in various memorandum and balancing accounts for prior periods (primarily 2018-2020, with some costs dating back to 2015) among other requests. PG&E proposed a multi-track procedural schedule, with a first track addressing PG&E's initial expense and capital expenditure forecasts and 2020 recorded costs in certain memorandum and balancing accounts, and second and third tracks to seek cost recovery for 2021 and 2022 recorded costs in those accounts.

The Assigned Commissioner issued a *Scoping Memo and Ruling* (Scoping Memo) on October 1, 2021 establishing two GRC tracks: (1) Track 1 addressing PG&E’s proposed revenue requirement for base GRC activities; and (2) Track 2 addressing PG&E’s cost recovery request for costs recorded in certain memorandum and balancing accounts.<sup>2</sup>

In accordance with the Scoping Memo, on February 28, 2022, PG&E withdrew testimony and the associated revenue requirement previously submitted in support of the memorandum and balancing accounts presented in its original application.

On July 22, 2022, PG&E submitted its Track 2 Prepared Testimony (Exhibit PG&E-80) and workpapers (Exhibit PG&E-81). On September 30, 2022, PG&E submitted Supplemental Testimony (Exhibit PG&E-82).

On November 14, 2022, Cal Advocates submitted Prepared Testimony in Track 2. Cal Advocates’ recommended reductions to PG&E’s cost recovery requests are summarized in Section 3.2 below. No other party submitted Track 2 testimony.

On December 23, 2022, PG&E submitted errata (Exhibit PG&E-83) correcting the amounts requested for certain memorandum and balancing accounts. PG&E’s Prepared Testimony, Supplemental Testimony, and errata are jointly referred to as “Track 2 Testimony.”

## **2.1 Cost Recovery Request**

PG&E’s Track 2 Testimony requested that the Commission determine that PG&E’s expenses and/or capital expenditures recorded in these accounts are just and reasonable:

### Gas Accounts

- 1) In-Line Inspection Memorandum Account (ILIMA);
- 2) Internal Corrosion Direct Assessment Memorandum Account (ICDAMA);
- 3) Gas Statutes, Regulations, and Rules Memorandum Account (GSRRMA);

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<sup>2</sup> Scoping Memo, pp. 12, 14.

- 4) Transmission Integrity Memorandum Program Memorandum Account (TIMPMA);
- 5) Measurement and Control Station Over Pressure Protection Memorandum Account (MCOPMA);
- 6) Critical Documents Program Memorandum Account (CDPMA);
- 7) Gas Storage Balancing Account (GSBA);
- 8) Line 407 Memorandum Account (L407MA); and
- 9) Dairy Biomethane Solicitation Memorandum Account (DBSMA).

Electric Accounts<sup>3</sup>

- 1) Distribution Resources Plan Tools Memorandum Account (DRPTMA); and
- 2) Avoided Cost Calculator Update Memorandum Account (ACCUMA).

In addition to cost recovery for these accounts, PG&E also requested: (1) recovery of \$10.476<sup>4</sup> million of capital expenditures, which represents 60 percent of the Commission-jurisdictional costs for upgrading PG&E's East Grand and FMC substations to enable electrification of Peninsula Corridor Joint Powers Board's (Caltrain) commuter rail service between San Jose and San Francisco; and (2) reaffirmation of the 60 percent/40 percent cost allocation that was included in the settlement agreement between Caltrain and PG&E approved by the Commission in D.20-05-008.

## **2.2 Other Requests**

PG&E requested that the Commission approve closure of the GHGEMA, effective January 1, 2023.

PG&E also sought a reasonableness review of \$272.2 million in costs associated with the Mobile Home Park (MHP) Pilot Program completed between January 1, 2018 and December 31, 2020 that were recorded and recovered in the MHPBA.

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<sup>3</sup> PG&E removed from its request, Wildfire Mitigation Plan Memorandum Account (WMPMA) and Fire Risk Mitigation Memorandum Account (FRMMA) balances included in its June 30, 2021 Prepared Testimony.

<sup>4</sup> PG&E's original request of \$10.479 million was corrected in the errata to be \$10.476 million.

## 2.3 Summary of PG&E's Request

### 2.3.1 Cost Recovery Request

In its Track 2 Testimony, PG&E requested cost recovery of \$208.953 million of incremental expense and \$128.966 million of incremental capital expenditures, as summarized in Tables 1 and 2 below. Tables 1 and 2 include PG&E's original request from its Prepared Testimony submitted on July 22, 2022, and its revised request incorporating the errata submitted on December 23, 2022.

**TABLE 1**  
**SUMMARY OF REQUEST (EXPENSE)**  
**(THOUSANDS OF DOLLARS)**

| Line No. | Prepared Testimony Chapter   | Accounts | Original Request | Request Including Errata |
|----------|------------------------------|----------|------------------|--------------------------|
| 1        | Chapter 2: Gas Accounts      | ILIMA    | \$144,921        | \$148,416                |
| 2        |                              | ICDAMA   | 14,320           | 14,320                   |
| 3        |                              | GSRRMA   | 27,833           | 27,833                   |
| 4        |                              | TIMPMA   | 315              | 315                      |
| 5        |                              | CDPMA    | 15,239           | 15,051                   |
| 6        |                              | GSBA     | (6,456)          | (6,456)                  |
| 7        |                              | DBSMA    | 67               | 67                       |
| 8        | Chapter 3: Electric Accounts | DRPTMA   | 9,022            | 9,022                    |
| 9        |                              | ACCUMA   | 385              | 385                      |
| 10       | Total                        |          | \$205,646        | \$208,953                |

Note: The GSRRMA, TIMPMA and CDPMA amounts vary slightly from the values listed in the RO Model due to rounding.

**TABLE 2**  
**SUMMARY OF REQUEST (CAPITAL)**  
**(THOUSANDS OF DOLLARS)**

| Line No. | Prepared Testimony Chapter                         | Accounts | Original Request | Request Including Errata |
|----------|--|----------|------------------|--------------------------|
| 1        | Chapter 2: Gas Accounts                            | MCOPPMA  | \$44,297         | \$44,297                 |
| 2        |  | GSBA     | 59,130           | 59,129                   |
| 3        |  | L407MA   | 8,977            | 8,977                    |
| 4        | Chapter 3: Electric Accounts                       | DRPTMA   | 6,087            | 6,087                    |
| 5        | Chapter 6: Caltrain Substation Upgrades (Electric) | N/A      | 10,479           | 10,476                   |
| 6        | Total  |          | \$128,970        | \$128,966                |

### **2.3.2 Other Requests**

In its Track 2 Testimony, PG&E also requested:

1. The Commission approve closure of the GHGEMA, effective January 1, 2023;
2. The Commission review the reasonableness of its MHP Pilot Program projects completed between January 1, 2018 and December 31, 2020 but is not seeking cost recovery of this costs in Track 2; and,
3. The Commission approve the revenue requirement for recovery of the amounts requested consistent with the methodology described in PG&E's Prepared Testimony (Exhibit PG&E-80), Chapter 7. PG&E also requested that the gas revenue requirement associated with the amounts in Tables 1 and 2 be recovered over two years (Exhibit PG&E-80, p. 7-13, lines 7-11).

### **3. PG&E's TESTIMONY AND WORKPAPERS SUPPORTING ITS REQUEST**

The following sections summarize the Track 2 Testimony in support of PG&E's Requests.

#### **3.1 Gas Accounts**

##### **3.1.1 ILIMA**

The In-Line Inspection Memorandum Account or ILIMA was adopted by the Commission in the 2019 GT&S Rate Case Decision.<sup>5</sup> The purpose of the ILIMA is to track the revenue requirement associated with the actual capital expenditures for Traditional ILI upgrade projects above the total of 48 adopted projects (12 upgrade projects per year during the rate case period) and actual expenses incurred for the associated initial Traditional ILI runs and Direct Examination and Repair (DE&R) resulting from those initial runs.<sup>6</sup> In addition, the ILIMA tracks expenses associated with all re-assessments.<sup>7</sup> The Commission ordered that the costs recorded in the ILIMA be subject to reasonableness review.<sup>8</sup> In Track 2, PG&E requested

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<sup>5</sup> D.19-09-025, pp. 137-139 and p. 331, Ordering Paragraph (OP) 63.

<sup>6</sup> D.19-09-025, pp. 138-139.

<sup>7</sup> D.19-09-025, p. 138. Note re-assessments include Traditional ILI runs, Non-Traditional ILI runs, and DE&R.

<sup>8</sup> D.19-09-025, p. 331, OP 63.

approximately \$148.416 million in expense related to the ILIMA and a determination that these recorded expenses were reasonably incurred and that recovery of these expenses in rates is appropriate. PG&E provided testimony and workpapers for the purpose of demonstrating the reasonableness of these 2019-2021 ILIMA recorded expenses.<sup>9</sup>

### **3.1.2 ICDAMA**

The Internal Corrosion Direct Assessment Memorandum Account or ICDAMA was adopted by the Commission in the 2019 GT&S Rate Case Decision.<sup>10</sup> The Commission directed PG&E to establish an ICDA memorandum account to track expenses for integrity assessments (related to internal corrosion threat) that are required under 49 CFR, Part 192, Subpart O (Subpart O). The Commission ordered that the expenses recorded in the ICDAMA be subject to reasonableness review.<sup>11</sup> In Track 2, PG&E requested approximately \$14.320 million in expense related to the ICDAMA and a determination that these recorded expenses were reasonably incurred and that recovery of these expenses in rates is appropriate. PG&E provided testimony and workpapers for the purpose of demonstrating the reasonableness of these 2019-2021 ICDAMA recorded expenses.<sup>12</sup>

### **3.1.3 GSRRMA**

The Gas Statutes, Regulations, and Rules Memorandum Account or GSRRMA tracks and records incremental capital expenditures and expenses to comply with any new federal or state statutes, regulations and rules, or any new or changed interpretation by a regulatory body of statutes, regulations or rules issued between GT&S funding cycles for which PG&E has not been able to incorporate a forecast of costs into a rate case and which are not already addressed and recorded in another account.<sup>13</sup> In Track 2, PG&E requested approximately \$27.833 million in

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<sup>9</sup> PG&E-80, p. 2-4, line 3 to p. 2-5, line 5 and Attachment 2A.

<sup>10</sup> D.19-09-025, p. 145 and p. 331, OP 64.

<sup>11</sup> D.19-09-025, p. 331, OP 64.

<sup>12</sup> PG&E-80, p. 2-5, lines 6-20 and Attachment 2B.

<sup>13</sup> D.19-09-025, p. 332, OP 67; Advice Letter 4468-G, Gas Preliminary Statement Part EL.



expense related to the GSRRMA and a determination that these recorded expenses were reasonably incurred and that recovery of these expenses in rates is appropriate. PG&E provided testimony and workpapers for the purpose of demonstrating the reasonableness of these 2019-2021 GSRRMA recorded expenses.<sup>14</sup>

### **3.1.4 TIMPMA**

The Transmission Integrity Management Program Memorandum Account or TIMPMA was initially adopted by the Commission in D.16-06-056 in PG&E's 2015 GT&S Rate Case proceeding<sup>15</sup> and was continued in the 2019 GT&S Rate Case Decision to track incremental TIMP expenses incurred when new regulations may require PG&E to spend more than the adopted amount for TIMP.<sup>16</sup> In D.16-06-056, the Commission directed PG&E to establish a TIMP memorandum account to track expenses associated with any new transmission integrity management statutes or rules effective after January 1, 2015. In the 2019 GT&S Rate Case Decision, the Commission again found the TIMPMA to be "a reasonable mechanism to account for cost overruns associated with unspecified regulatory changes that could cause TIMP expenditures to exceed the authorized spending limit."<sup>17</sup> Therefore, the Commission ordered PG&E to continue the TIMPMA.<sup>18</sup> In Track 2, PG&E requested approximately \$0.315 million in expense related to the TIMPMA and a determination that these recorded expenses were reasonably incurred and that recovery of these expenses in rates is appropriate. PG&E provided testimony and workpapers for the purpose of demonstrating the reasonableness of 2019-2021 TIMPMA recorded expenses.<sup>19</sup>

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<sup>14</sup> PG&E-80, p. 2-5, lines 21 to p. 2-6, line 7 and Attachment 2C.

<sup>15</sup> A.13-12-012.

<sup>16</sup> D.19-09-025, p. 301, Finding of Fact (FOF) 82.

<sup>17</sup> D.19-09-025, p. 159.

<sup>18</sup> D.19-09-025, p. 333, OP 74.

<sup>19</sup> PG&E-80, p. 2-6, lines 8-29 and Attachment 2D.

### **3.1.5 MCOPMA**

PG&E requested that the Commission approve as just and reasonable its 2019-2021 capital expenditures of approximately \$44.3 million and its 2019-2021 recorded in the Measurement and Control (M&C) Station Over Pressure Protection Memorandum Account or MCOPMA. PG&E provided testimony and workpapers for the purpose of demonstrating the reasonableness of these costs.<sup>20</sup>

### **3.1.6 CDPMA**

PG&E requested that the Commission approve as just and reasonable its 2015-2021 expense costs of approximately \$15.051 million recorded in the Critical Documents Program Memorandum Account or CDPMA. PG&E provided testimony and workpapers for the purpose of demonstrating the reasonableness of these costs.<sup>21</sup>

### **3.1.7 GSBA**

PG&E requested that the Commission approve as just and reasonable its 2019-2021 expenses of approximately \$17.9 million and its 2019-2021 capital expenditures of approximately \$231.7 million related to the two-way Gas Storage Balancing Account or GSBA. PG&E is seeking a determination that the 2019-2021 costs were reasonably incurred and allow these costs to be adjusted in rates through the Annual Gas True-Up pursuant to Preliminary Statement EJ.<sup>22</sup> PG&E provided testimony and workpapers for the purpose of demonstrating the reasonableness of these costs.<sup>23</sup>

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<sup>20</sup> PG&E-80, p. 2-7, lines 2 to p. 2-8, line 10 and 11 and Attachment 2E.

<sup>21</sup> PG&E-80, p. 2-7 lines 2-11 and p. 2-8, line 11 to p. 2-9 line 2, and Attachment 2F.

<sup>22</sup> Gas Preliminary Statement Part EJ was approved by the CPUC in Advice Letter (AL) 4167-G and states “[u]pon completion of a reasonableness review in PG&E’s next GT&S Rate Case, disposition of the balances in this account will be determined through the CFCA and NCA in the Annual Gas True-up, or as otherwise authorized by the Commission.” (Gas Preliminary Statement Part EJ, Sheet 1.) PG&E notes that pursuant to the Rate Case Plan, PG&E’s “next GT&S Rate Case” is the instant 2023 GRC proceeding.

<sup>23</sup> PG&E-80, p. 2-9 line 3 to p. 2-11 line 11 and Attachment 2G.

### **3.1.8 L407MA**

PG&E requested that the Commission approve as just and reasonable its 2018-2021 capital expenditures of approximately \$9.022 million related to the Line 407 Memorandum Account or L407MA. The L407MA was initially adopted by the Commission in PG&E's 2015 GT&S Rate Case and was continued in the 2019 GT&S Rate Case Decision. The memorandum account records and tracks the revenue requirements associated with actual capital expenditures incurred during the rate case period related to the Line 407 pipeline installation above the \$180.8 million adopted for costs incurred through December 31, 2017. The Commission ordered that the costs recorded in the L407MA account be subject to reasonableness review.<sup>24</sup> PG&E provided testimony and workpapers for the purpose of demonstrating the reasonableness of these costs.<sup>25</sup>

### **3.1.9 DBSMA**

PG&E requested that the Commission approve as just and reasonable its 2018 expenses of approximately \$67,000 related to the Dairy Biomethane Solicitation Memorandum Account or DBSMA.<sup>26</sup> The DBSMA was adopted by the Commission in D.17-12-004, Ordering Paragraph 4. The purpose of the DBSMA is to record expenditures for dairy biomethane program solicitation development, with the objective of providing recovery to the utility for solicitation expenses, engineering review, project management, and cost estimating of the projects applying into the program, which concluded in December 2018. PG&E provided testimony and workpapers for the purpose of demonstrating the reasonableness of these costs.<sup>27</sup>

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<sup>24</sup> In the 2019 GT&S Rate Case decision, the Commission approved as reasonable \$180.8 million of costs incurred for Line 407 through December 31, 2017 and ordered the continued use of the memorandum account to track remaining costs for the close out of the Line 407 project in excess of \$180.8 million. D.19-09-025, p. 238, p. 304, FOF 105, and p. 318, Conclusion of Law (COL) 109.

<sup>25</sup> PG&E-80, p. 2-11 line 12 to p. 2-12 line 14 and Attachment 2H.

<sup>26</sup> In D.17-12-004, p. 23, OP 3 and 4, the Commission ordered issuance of a solicitation for dairy biomethane pilots in 2018 and establishment of a memorandum account to record expenditures related to the solicitation.

<sup>27</sup> PG&E-80, p. 2-12 line 15 to p. 2-14 line 2 and Attachment 2I.

## **3.2 Electric Accounts**

### **3.2.1 DRPTMA**

The Distribution Resources Plan Tools Memorandum Account or DRPTMA became effective on September 28, 2017. The purpose of the DRPTMA is to record incremental costs incurred to implement enhancements to distribution engineering planning tools that are not otherwise recovered in PG&E's adopted revenue requirements.<sup>28</sup> Costs recorded to the DRPTMA do not include costs approved for recovery in the GRC or recovered through other cost recovery mechanisms. Reasonableness review of costs booked to the DRPTMA is required by D.17-09-026. As of December 31, 2021, PG&E has recorded a total of \$6.1 million in capital and \$9.0 million in expense in the DRPTMA for the years 2018 through 2021. PG&E requested a determination that these costs were reasonably incurred and that recovery of these costs in rates is appropriate. PG&E provided testimony for the purpose of demonstrating the reasonableness of these costs.<sup>29</sup>

### **3.2.2 ACCUMA**

The Avoided Cost Calculator Update Memorandum Account or ACCUMA became effective June 15, 2016. The purpose of the ACCUMA is to record incremental costs incurred for updates to the Avoided Costs Calculator (ACC) that are not otherwise recovered in PG&E's adopted revenue requirements. Costs recorded to the ACCUMA do not include costs approved for recovery in PG&E GRCs or recovered through other cost recovery mechanisms. Reasonableness review of costs booked to the ACCUMA is required by D.16-06-007. As of December 31, 2021, PG&E has recorded a total cost of \$385,000 in expense to the ACCUMA in 2020 and 2021. PG&E requested a determination that these costs were reasonably incurred and that recovery of these costs in rates is appropriate. PG&E provided testimony for the purpose of

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<sup>28</sup> PG&E Electric Preliminary Statement Part HF.

<sup>29</sup> PG&E-80, p. 3-1, line 9 to p. 3-7, line 19.

demonstrating the reasonableness of these costs.<sup>30</sup>

### **3.2.3 Caltrain Substation Upgrades**

The objective of the Caltrain Electrification Project is to electrify and upgrade the performance, efficiency, capacity, safety, and reliability of the Caltrain commuter rail service which connects the Caltrain Fourth and King Station in San Francisco with the Tamien Station in San Jose. In Track 2, PG&E requested: (1) reaffirmation of the 40 percent Caltrain/60 percent PG&E cost allocation consistent with the settlement agreement approved in D.20-05-008; and (2) recovery for \$10.476 million of Substation Upgrade costs attributable to PG&E's electric distribution CPUC-jurisdictional system.<sup>31</sup> PG&E submitted testimony in support of its request.<sup>32</sup>

## **3.3 Additional Track 2 Requests**

### **3.3.1 GHGEMA**

In its Track 2 Testimony, PG&E requested closure of the Greenhouse Gas Expense Memorandum Account or GHGEMA effective January 1, 2023. Pursuant to D.14-12-040, PG&E filed Tier 1 Advice Letter (AL) 3551-G to establish the GHGEMA to track and record administrative costs, including, but not limited to information technology, incurred to administer the Cap-and-Trade Program for natural gas supplier costs.<sup>33</sup> As part of its cost recovery showing, pursuant to D.15-10-032, PG&E submitted recorded outreach and administrative costs, forecasts of greenhouse gas costs, and allowance proceeds as part of its annual gas true-up AL filing for an annual reasonableness review of the actual administrative expenses recorded in the memorandum accounts.<sup>34</sup> Pursuant to D.15-10-032, PG&E was to request approval to sunset the

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<sup>30</sup> PG&E-80, p. 3-7, line 20 to p. 3-9, line 17.

<sup>31</sup> PG&E-80, p. 6-8, lines 3-6.

<sup>32</sup> PG&E-80, Chapter 6 and PG&E-82 (supplemental testimony).

<sup>33</sup> Gas Preliminary Statement Part DI, GHGEMA-G.

<sup>34</sup> D.14-12-040, p. 39, COL 11.

GHGEMA in its next general rate case or similar proceeding.<sup>35</sup>

### **3.3.2 MHPBA**

The MHP Pilot Program began as a voluntary 3-year pilot program (from 2015-2017) to upgrade 10 percent of California’s eligible MHP residential units to direct utility service. This program was extended until the earlier date of either December 31, 2021, or the issuance of a Commission decision for the continuation, expansion, or modification of the program beyond December 31, 2019. In April 2020, the Commission issued D.20-04-004, establishing a 10-year Mobile Home Park Utility Conversion Program beginning in 2021. PG&E submitted Track 2 testimony for the purpose of demonstrating the reasonableness of \$272.2 million (\$266.1 million in Capital expenditures and \$6.1 million in Expense costs) incurred in executing the MHP Pilot Program for projects completed between January 1, 2018, and December 31, 2020.<sup>36</sup>

PG&E’s Track 2 Testimony describes the activities and costs recorded for projects completed from the beginning of 2018 through year-end 2020 in executing the MHP Pilot Program and serves as the reasonableness review for the costs of those program activities. PG&E is not seeking cost recovery for the MHP Pilot Program in the GRC as the costs incurred for these projects have been recovered through the electric and gas Mobile Home Park Balancing Accounts or MHPBA. PG&E requested that the Commission find that the \$272.2 million in costs PG&E incurred for projects completed in the MHP Pilot Program from January 1, 2018, through December 31, 2020, were reasonably incurred.

## **4. CAL ADVOCATES’ TESTIMONY AND RECOMMENDATIONS**

Cal Advocates was the only party to submit testimony in Track 2. Cal Advocates submitted four exhibits:

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<sup>35</sup> “The memorandum accounts adopted in this proceeding should sunset for each utility once that utility has had the opportunity to request approval of natural gas GHG-related administrative costs in its next general rate case or similar proceeding.” D.15-10-032, p. 60, COL 18.

<sup>36</sup> PG&E-80, Chapter 5.

- Exhibit CA-01 “Executive Summary”
- Exhibit CA-02 “Operations and Maintenance and Capital Costs Recorded in the In-Line Inspection, Critical Documents Program, Line 407, Dairy Biomethane Solicitation, and the Distribution Resources Plan Tools Memorandum Accounts.”
- Exhibit CA-03 “Operations and Maintenance Costs Recorded in the Internal Corrosion Direct Assessment, Gas Statutes, Regulations, and Rules, Transmission Integrity Memorandum Program, and the Avoided Cost Calculator Update Memorandum Accounts.”
- Exhibit CA-04 “Capital Expenditures Recorded for Substation Upgrades.”

Below is a summary of Cal Advocates’ recommendations and positions on PG&E’s requests.

#### **4.1 Overview of Cal Advocates’ Recommendations**

Cal Advocates made the recommendations described in Sections 4.2 and 4.3 below. In addition, Cal Advocates did not oppose PG&E’s request: (1) to recover the associated gas revenue requirement over two years<sup>37</sup>; (2) to reaffirm the 40 percent Caltrain/60 percent PG&E cost allocation consistent with the settlement agreement approved in D.20-05-008; (3) for a determination of reasonableness for the costs recorded in the MHPBA<sup>38</sup>; and (4) to close the GHGEMA on January 1, 2023.<sup>39</sup>

The bases for Cal Advocates’ recommendations are described in more detail in the sections below.

#### **4.2 Cal Advocates’ Position on Track 2 Gas Accounts**

##### **4.2.1 ILIMA**

Cal Advocates recommended \$139.2 million for expenses recorded in the ILIMA, which is \$5.7 million less than PG&E’s original request of \$144.927 million.<sup>40</sup> Cal Advocates recommended removing \$5.7 million for straight-time labor costs associated with Traditional ILI

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<sup>37</sup> CA-01, p. 5, lines 15-16.

<sup>38</sup> CA-01, p. 9, lines 1-3.

<sup>39</sup> CA-01, p. 9, lines 1-3.

<sup>40</sup> CA-02, p. 1, lines 26-27. PG&E’s request was revised as described in its errata.

Reassessments. Cal Advocates' position is that PG&E's straight-time labor are funded through existing rates authorized in its 2019 GT&S rate revenue decision and are not incremental.<sup>41</sup> Cal Advocates' recommendation and position are more fully addressed in its testimony.<sup>42</sup>

#### **4.2.2 ICDAMA**

Cal Advocates recommended \$2.7 million for costs recorded in the ICDAMA, which is \$11.6 million lower than PG&E's recovery request of \$14.3 million.<sup>43</sup> Cal Advocates states that based on invoices and contracts provided by PG&E, Cal Advocates was only able to review and evaluate \$2.717 million in costs for ICDAMA.<sup>44</sup> Cal Advocates' recommendation and position are more fully addressed in its testimony.<sup>45</sup>

#### **4.2.3 GSRRMA**

Cal Advocates recommended \$0 million (or zero) recovery of costs recorded in the GSRRMA, which is \$27.8 million lower than PG&E's recovery request of \$27.8 million.<sup>46</sup> Cal Advocates' position is that PG&E did not provide documentation to substantiate and justify recovery of \$27.8 million.<sup>47</sup> Cal Advocates also states that it was not able review or analyze PG&E's historical costs for the same or similar activities because PG&E did not provide information on how PG&E funded updates in regulation prior to the Commission decision in 2019 authorizing the memorandum account (i.e., costs to comply with any new federal or state statutes, regulations and rules to meet various standards for Gas Transmission facilities). Thus, Cal Advocates could not review the costs embedded in historical costs and compare it to the amounts requested for recovery in PG&E's Track 2 application for GSRRMA or verify the

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<sup>41</sup> CA-02, p. 5, lines 12-16.

<sup>42</sup> CA-02, p. 4, line 19, Section V.

<sup>43</sup> CA-03, p. 2, lines 4-6.

<sup>44</sup> CA-03, p. 11, lines 18-23.

<sup>45</sup> CA-03, p. 11, line 1, Section IV.C.

<sup>46</sup> CA-03, p. 2, lines 1-3.

<sup>47</sup> CA-03, p. 3, lines 22-23.



accuracy of the amount PG&E recorded as incremental in its GSRRMA.<sup>48</sup> Cal Advocates' alternative recommendation is for cost recovery of \$3.761 million, which is 13.5% of PG&E's request.<sup>49</sup> Cal Advocates' recommendations and positions are more fully addressed in its testimony.<sup>50</sup>

#### **4.2.4 TIMPMA**

Cal Advocates did not oppose PG&E's request of \$315,000 recorded in TIMPMA.<sup>51</sup>

#### **4.2.5 MCOPPMA**

Cal Advocates did not oppose PG&E's request for recovery of costs recorded in the MCOPPMA.<sup>52</sup>

#### **4.2.6 CDPMA**

Cal Advocates recommended \$0 recovery of expenses recorded in the CDPMA, which is \$15.051 million less than PG&E's request of \$15.051 million.<sup>53</sup> Cal Advocates' position was that updating existing station documents or creating new documentation to meet the standard set in Utility Standard TD-4551S "Station Critical Documentation" for all Measurement and Control (M&C) facilities and Compression and Processing (C&P) facilities built on or before December 31, 1955, is not a new activity, and is work that should be routine and on-going maintenance required to effectively operate PG&E's business. Cal Advocates stated that it was not able review or analyze PG&E's historical costs for the same or similar activities or verify the accuracy of the amount PG&E recorded as incremental in its CDPMA.<sup>54</sup>

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<sup>48</sup> CA-03, p. 4, line 19 to p. 5, line 3.

<sup>49</sup> CA-03, p. 8, lines 13-18.

<sup>50</sup> CA-03, p. 3, line 18, Section IV.B.

<sup>51</sup> CA-03, p. 1, lines 26-27.

<sup>52</sup> CA-01, p. 9, lines 1-2.

<sup>53</sup> CA-02, p. 2, lines 1-2.

<sup>54</sup> CA-02, p. 8, line 20 to p. 9 line 3.

As an alternative to its recommendation of \$0, Cal Advocates recommended a downward adjustment to remove \$8.1 million from PG&E's request of \$15.051 million. Cal Advocates' position was that PG&E's Track 2 application for CDPMA includes costs of \$8.1 million associated with costs incurred between 2015-2018 which are outside the scope of Track 2 of this proceeding.<sup>55</sup> Cal Advocates' recommendations and positions are more fully addressed in its testimony.<sup>56</sup>

#### **4.2.7 GSBA**

Cal Advocates did not oppose PG&E's request for recovery of costs recorded in the GSBA.<sup>57</sup>

#### **4.2.8 Line 407 Memorandum Account (L407MA)**

Cal Advocates took issue with PG&E's cost recovery for L407MA of \$3.7 million in capital expenditures incurred in 2018 for the Line 407 transmission line. Cal Advocates' position was that the 2018 costs are outside the scope of Track 2.<sup>58</sup>

#### **4.2.9 DBSMA**

Cal Advocates recommended \$0 recovery of expenses in DBSMA activities, which is \$67,000 less than PG&E's request of \$67,000.<sup>59</sup> Cal Advocates' position was that PG&E recorded \$67,216 for costs incurred in 2018 and that these costs are outside the scope of Track 2 of this proceeding.<sup>60</sup>

### **4.3 Cal Advocates Position on Track 2 Electric Accounts**

#### **4.3.1 DRPTMA**

Cal Advocates recommended recovery of \$8.5 million for expenses in DRPTMA

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<sup>55</sup> CA-02, p. 12, lines 1-4.

<sup>56</sup> CA-02, p. 8, line 1, Section VI.

<sup>57</sup> CA-01, p. 9, lines 1-2.

<sup>58</sup> CA-02, p. 13, lines 16-20.

<sup>59</sup> CA-02, p. 2, lines 3-4.

<sup>60</sup> CA-02, p. 13, lines 6-9.

activities, which is \$484,000 less than PG&E's request of \$9.022 million.<sup>61</sup> Cal Advocates recommended \$5.0 million for capital expenditures in DRPTMA activities which is \$1.1 million less than PG&E's request of \$6.1 million.<sup>62</sup> Cal Advocates' recommendations were based on \$0 for DRPTMA capital and expenses incurred in 2018 given Cal Advocates' position that these costs are outside the scope of this Track 2 proceeding.<sup>63</sup>

#### **4.3.2 ACCUMA**

Cal Advocates did not oppose PG&E's request of \$385,000 recorded in ACCUMA.<sup>64</sup>

#### **4.3.3 Caltrain Substation Upgrades**

Cal Advocates' recommendation for cost recovery of PG&E's Caltrain Substation Upgrades was \$0 million. Cal Advocates' recommendation was \$10.476 million lower than PG&E's request.<sup>65</sup> Cal Advocates' recommendation was based on its position that PG&E did not provide Cal Advocates with documentation required to verify, evaluate, and independently calculate its cost recovery request associated with the 60 percent for CPUC-jurisdictional distribution amount of \$10.476 million.<sup>66</sup> Cal Advocates also stated that PG&E did not demonstrate that these costs are appropriate for inclusion in CPUC-jurisdictional rates, as opposed to Federal Energy Regulatory Commission (FERC)-jurisdictional rates.<sup>67</sup> Cal Advocates also claimed that PG&E's support shows overstatement in its recorded costs for two of its vendors.<sup>68</sup> Finally, Cal Advocates' alternative recommendation for Caltrain Substation Upgrades is a \$4.5 million downward adjustment to PG&E's request of \$10.476 million because

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<sup>61</sup> CA-02, p. 2, lines 5-7.

<sup>62</sup> CA-02, p. 2, lines 11-13.

<sup>63</sup> CA-02, p. 19, lines 15-20.

<sup>64</sup> CA-03, p. 1, lines 28-29.

<sup>65</sup> CA-04, p. 2, lines 1-3.

<sup>66</sup> CA-04, p. 4, lines 4-6.

<sup>67</sup> CA-04, lines 14-16.

<sup>68</sup> CA-04, p. 12, line 10.

PG&E failed to demonstrate with evidence the reason for the \$4.5 million increase in its cost recovery request in Track 2 compared to its original request in Track 1.<sup>69</sup> Cal Advocates' recommendations and positions are more fully addressed in its testimony.<sup>70</sup>

#### **4.4 Cal Advocates' Position on Other Requests**

##### **4.4.1 GHGEMA**

Cal Advocates did not oppose PG&E's proposal to close the GHGEMA effective January 1, 2023.<sup>71</sup>

##### **4.4.2 MHPBA**

Cal Advocates did not oppose PG&E's request for recovery of costs recorded in the MHPBA.<sup>72</sup>

### **5. SUMMARY OF SETTLEMENT NEGOTIATIONS**

After Cal Advocates served its Track 2 testimony on November 14, 2022, PG&E and Cal Advocates began exploring the possibility of reaching agreement to resolve all Track 2 issues. On December 12, 2022, PG&E and Cal Advocates informed the Administrative Law Judges ("ALJs") that they had reached a settlement in principle and requested an immediate suspension of the Track 2 schedule in this proceeding to allow for the parties to pursue settlement discussions under Rule 12.1 of the Commission's Rules of Practice and Procedure. On December 13, 2022, the Assigned ALJs issued an email "Ruling Suspending Track 2 Schedule for Continuation of Settlement Discussions." In the ruling, the ALJs directed "PG&E and Cal Advocates shall provide an update, via email, on the status of settlement process and steps taken in compliance with Rule 12 on December 27, 2022."

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<sup>69</sup> CA-04, p. 14, lines 10-16.

<sup>70</sup> CA-04, Sections I to IV.

<sup>71</sup> CA-1, p. 9, lines 2-3.

<sup>72</sup> CA-1, p. 9, lines 1-2.

On December 13, 2022, PG&E issued a Notice of Settlement Conference pursuant to CPUC Rule of Practice and Procedure 12.1(b) to the parties to this proceeding.

On December 21, 2022, PG&E and Cal Advocates held the settlement conference, which was attended by representatives from Cal Advocates, PG&E, Caltrain, and Southern California Edison Company.

## 6. SUMMARY OF THE SETTLEMENT

As a result of settlement discussions, the Parties have agreed that PG&E's total cost recovery for the Track 2 Accounts shall be \$183.353 million of recorded expense costs (a reduction of \$25.600 million to PG&E's total request of \$208.953 million) and \$126.666 million of recorded capital costs (a reduction of \$2.300 million to PG&E's total request of \$128.966 million). The specific agreement for each Track 2 account is shown below in Table 3 (expense amounts) and Table 4 (capital expenditure amounts).

**Table 3: Summary of Agreed To Settlement Expense Amounts  
(\$ in millions)**

| Expense  | Total PG&E Request <sup>73</sup> | Cal Advocates Proposed Reduction | Settlement Reduction | Settlement Recoverable Costs |
|--|----------------------------------|----------------------------------|----------------------|------------------------------|
| <b>Gas Accounts</b>  |                                  |                                  |                      |                              |
| Gas Statutes Regulations and Rules Memorandum Account (GRSSMA)   | \$27.833                         | \$27.800                         | \$9.000              | \$18.833                     |
| Critical Documents Program Memorandum Account (CDPMA)            | \$15.051                         | \$15.051                         | \$5.900              | \$9.151                      |
| Internal Corrosion Direct Assessment Memorandum Account (ICDAMA) | \$14.320                         | \$11.600                         | \$5.000              | \$9.320                      |

<sup>73</sup> Total PG&E request is based on PG&E's December 23, 2022 errata.

| <b>Expense</b>  | <b>Total PG&amp;E Request<sup>73</sup></b> | <b>Cal Advocates Proposed Reduction</b> | <b>Settlement Reduction</b> | <b>Settlement Recoverable Costs</b> |
|---|--|---|-----------------------------|-------------------------------------|
| In-Line-Inspection Memorandum Account (ILIMA)                 | \$148.416                                  | \$5.700                                 | \$5.700                     | \$142.716                           |
| Dairy Biomethane Solicitation Memorandum Account (DBSMA)      | \$0.067                                    | \$0.067                                 | \$0                         | \$0.067                             |
| Transmission Integrity Management Program (TIMPMA)            | \$0.315                                    | Uncontested                             | \$0                         | \$0.315                             |
| Gas Storage Balancing Account (GSBA)                          | (\$6.456)                                  | Uncontested                             | \$0                         | (\$6.456)                           |
| <b>Electric Accounts</b>                                      |  |   |                             |                                     |
| Distribution Resources Plan Tools Memorandum Account (DRPTMA) | \$9.022                                    | \$0.484                                 | \$0                         | \$9.022                             |
| Avoided Cost Calculator Update Memorandum Account (ACCUMA)    | \$0.385                                    | Uncontested                             | \$0                         | \$0.385                             |
| <b>Total Expense</b>  | <b>\$208.953</b>                           | <b>\$60.703</b>                         | <b>\$25.600</b>             | <b>\$183.353</b>                    |

**Table 4: Summary of Agreed To Settlement Capital Expenditure Amounts  
(\$ in millions)**

| <b>Capital</b>   | <b>Total PG&amp;E Request<sup>74</sup></b> | <b>Cal PA Proposed Reduction</b> | <b>Settlement Reduction</b> | <b>Settlement Recoverable Costs</b> |
|--|--|----------------------------------|-----------------------------|-------------------------------------|
| <b>Gas Accounts</b>  |  |                                  |                             |                                     |
| Line 407 Memorandum Account (L407MA)                             | \$8.977                                    | \$3.700                          | \$0                         | \$8.977                             |
| M&C Station Over Pressure Protection Memorandum Account (MCOPMA) | \$44.297                                   | Uncontested                      | \$0                         | \$44.297                            |
| Gas Storage Balancing Account (GSBA)                             | \$59.129                                   | Uncontested                      | \$0                         | \$59.129                            |
| <b>Electric Accounts</b>   |  |                                  |                             |                                     |
| Caltrain Substation Upgrades                                     | \$10.476                                   | \$10.479                         | \$2.300                     | \$8.176                             |
| Distribution Resources Plan Tools Memorandum Account (DRPTMA)    | \$6.087                                    | \$1.100                          | \$0                         | \$6.087                             |
| <b>Total Capital Expenditures</b>                                | <b>\$128.966</b>                           | <b>\$15.279</b>                  | <b>\$2.300</b>              | <b>\$126.666</b>                    |

In addition, the Parties have agreed:

- The revenue requirement for recovery of the amounts agreed to above in Tables 3 and 4 shall be calculated consistent with the methodology described in PG&E's Prepared Testimony (Exhibit PG&E-80), Chapter 7 and that the gas revenue requirement associated with the amounts in Tables 3 and 4 will be recovered over two years as described in PG&E's Prepared Testimony (Exhibit PG&E-80), Chapter 7, p. 7-13, lines 7-11;
- The \$272.2 million in costs PG&E incurred for projects completed in the MHP Pilot Program from January 1, 2018, through December 31, 2020, were reasonably incurred; and,

<sup>74</sup> Total PG&E request is based on PG&E's December 23, 2022 errata.

- The GHGEMA shall be closed effective January 1, 2023.

## 7. THE SETTLEMENT IS REASONABLE AND SHOULD BE ADOPTED

Commission Rule 12.1(d) sets forth the standard for approval of settlements:

The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.<sup>75</sup>

The Commission approves settlement agreements based on whether the settlement agreement is just and reasonable as a whole:

In assessing settlements we consider individual settlement provisions but, in light of strong public policy favoring settlements, we do not base our conclusion on whether any single provision is the optimal result. Rather, we determine whether the settlement as a whole produces a just and reasonable outcome.<sup>76</sup>

Numerous Commission decisions “endorsed settlements as an ‘appropriate method of alternative ratemaking’ and express a strong public policy favoring settlement of disputes if they are fair and reasonable in light of the whole record.”<sup>77</sup> It is long-standing Commission policy to strongly favor settlement.<sup>78</sup> This policy supports many worthwhile goals, including not only reducing the expense of litigation and conserving scarce Commission resources, but also allowing parties to reduce the risk that litigation will produce unacceptable results.<sup>79</sup>

In this case, the Commission’s three settlement criteria are readily satisfied. First, the Settlement is reasonable in light of the whole record. The Parties are knowledgeable and experienced regarding the programs and the cost recovery issues in Track 2 of this proceeding. The interests of customers are specifically represented by Cal Advocates. PG&E provided extensive Track 2 Testimony and workpapers supporting its request. Cal Advocates conducted extensive discovery and provided testimony and workpapers to support its recommendations.

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<sup>75</sup> Rule 12.1(d).

<sup>76</sup> D.10-04-033, p. 9.

<sup>77</sup> See, e.g., D.05-10-041, p. 47; D.15-03-006, p. 6; and D.15-04-006, p. 8.

<sup>78</sup> D.10-06-038, p. 38.

<sup>79</sup> D.14-12-040, p. 15.



The Parties were able to review all of these materials, which assisted in evaluating and determining the outcomes agreed to in the Settlement. The Parties believe that based on the extensive Track 2 record, the Settlement is a reasonable and appropriate outcome that is in the best interests of customers.<sup>80</sup> For each program or issue, as set forth in Section 2 of this motion, the Settlement represents a compromise of recommendations and positions presented by the Parties in their prepared testimony and workpapers. Consistent with Commission precedent and given these facts, the Settlement is reasonable in light of the whole record.<sup>81</sup>

Second, the Settlement is consistent with law. The Commission has consistently reviewed and approved settlements in reasonableness proceedings where the parties were able to agree on appropriate amounts to be included in rates.<sup>82</sup> In this case, approving a settlement of the reasonable and prudent costs incurred and recorded in memorandum and balancing accounts and the Caltrain amount, as adjusted by the Settlement, is entirely consistent with Commission precedent and the law.

Finally, the Settlement is in the public interest. The Settlement resolves the Track 2 issues in this matter without a hearing, which conserves the Commission's and Parties' time and resources.<sup>83</sup> In addition, in response to Cal Advocates' recommendations, PG&E has agreed to a reduction of \$25.600 million to PG&E's total expense request of \$208.953 million and a reduction of \$2.300 million to PG&E's total capital expenditure request of \$128.966 million.<sup>84</sup> The Settlement also approves PG&E's request for recovery of its gas revenue requirement over

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<sup>80</sup> D.22-03-011, p. 19 (reduction in requested amount based on extensive evidence and parties "strongly held positions" was reasonable in light of the whole record).

<sup>81</sup> D.11-07-038, p. 5 (settlement based on extensive testimony reviewed by experienced parties demonstrates that the settlement is reasonable in light of the whole record); D.18-02-009, p. 6 (settlement supported by testimony and reasonable in light of the whole record because it represented a decrease from the originally requested amount).

<sup>82</sup> See D.11-07-038

<sup>83</sup> D.18-02-009, p. 7 (settlement in public interest where it spares the Commission and parties time, effort to litigate disputed issues); D.22-03-011, p. 21 (same).

<sup>84</sup> D.11-07-038, p. 6 (settlement reducing requested amount represents a "favorable outcome for ratepayers.").

two years which will reduce the impact of cost recovery.<sup>85</sup>

In summary, the Parties urge the Commission to determine that, in light of the whole record, the proposed Settlement is reasonable, consistent with law, and in the public interest, and on that basis to approve and adopt the Settlement.

## **8. CONCLUSION**

For the foregoing reasons, Cal Advocates and PG&E urge the Commission to approve the Settlement in full without modification.

Respectfully Submitted,

By: /s/ Charles R. Middlekauff  
CHARLES R. MIDDLEKAUFF

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Attorney for  
PACIFIC GAS AND ELECTRIC COMPANY

Dated: January 6, 2023

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<sup>85</sup> D.18-02-009, p. 7 (two-year amortization found to be reasonable).

## **Attachment A**

**Settlement Agreement Between Pacific Gas and Electric Company  
and the Public Advocates Office at the California Public Utilities  
Commission on Track 2 Issues in Application 21-06-021**

**SETTLEMENT AGREEMENT BETWEEN PACIFIC GAS AND  
ELECTRIC COMPANY AND THE PUBLIC ADVOCATES OFFICE AT  
THE CALIFORNIA PUBLIC UTILITIES COMMISSION ON TRACK 2  
ISSUES IN APPLICATION 21-06-021**

**1. SUMMARY OF PG&E’S TRACK 2 REQUEST**

On June 30, 2021, Pacific Gas and Electric Company (PG&E) filed Application (A.) 21-06-021 requesting that the California Public Utilities Commission (CPUC or Commission) approve PG&E’s Test Year 2023 General Rate Case (GRC) revenue requirement request and three attrition years. The request consisted of PG&E’s expense and capital expenditure forecasts for base activities necessary for PG&E to operate its electric, gas and generation systems. In accordance with Commission requirements, PG&E also requested cost recovery for amounts recorded in certain memorandum and balancing accounts. PG&E proposed a multi-track procedural schedule, with a first track addressing PG&E’s 2023-2026 expense and capital expenditure forecasts and recorded costs in memorandum and balancing accounts through 2020, and second and third tracks to seek cost recovery for recorded costs in those accounts for costs recorded in 2021 and 2022, respectively.

On October 1, 2021, the Assigned Commissioner issued a *Scoping Memo and Ruling* (Scoping Memo) establishing two GRC tracks: (1) Track 1 addressing PG&E’s proposed revenue requirement for base GRC activities; and (2) Track 2 addressing PG&E’s cost recovery request for costs recorded in various memorandum and balancing accounts through 2021.<sup>1</sup> The Scoping Memo also indicated that a process for reviewing “2022 actual recorded costs (which pertain to so-called track 3 in PG&E’s application)” would be addressed “in an Amended Scoping Memo, if needed.”<sup>2</sup>

In accordance with the Scoping Memo, PG&E withdrew testimony and the associated revenue requirement previously submitted in support of the memorandum and balancing accounts presented in its original application. On July 22, 2022, PG&E submitted its Track 2

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<sup>1</sup> Scoping Memo, p. 12.

<sup>2</sup> *Id.*

Prepared Testimony (Exhibit PG&E-80) and workpapers (Exhibit PG&E-81). On September 30, 2022, PG&E submitted Supplemental Testimony (Exhibit PG&E-82).

On November 14, 2022, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) submitted prepared testimony in Track 2. Cal Advocates' recommended reductions to PG&E's cost recovery requests are summarized in Section 3.2 below. No other intervenor submitted Track 2 testimony.

On December 23, 2022, PG&E submitted errata (Exhibit PG&E-83) correcting the amounts requested for some of the memorandum and balancing accounts. PG&E's Prepared Testimony, Supplemental Testimony, and errata are jointly referred to as "Track 2 Testimony."

## **1.1 Cost Recovery Requests**

PG&E submitted testimony regarding the following balancing and memorandum accounts and requested that the Commission determine that PG&E's expenses and/or capital expenditures recorded in these accounts are just and reasonable:

### **1.1.1 Gas Accounts**

- 1) In-Line Inspection Memorandum Account (ILIMA);
- 2) Internal Corrosion Direct Assessment Memorandum Account (ICDAMA);
- 3) Gas Statutes, Regulations, and Rules Memorandum Account (GSRRMA);
- 4) Transmission Integrity Memorandum Program Memorandum Account (TIMPMA);
- 5) Measurement and Control Station Over Pressure Protection Memorandum Account (MCOPPMA);
- 6) Critical Documents Program Memorandum Account (CDPMA);
- 7) Gas Storage Balancing Account (GSBA);
- 8) Line 407 Memorandum Account (L407MA); and
- 9) Dairy Biomethane Solicitation Memorandum Account (DBSMA).

### **1.1.2 Electric Accounts<sup>3</sup>**

- 1) Distribution Resources Plan Tools Memorandum Account (DRPTMA); and
- 2) Avoided Cost Calculator Update Memorandum Account (ACCUMA).

### **1.1.3 Caltrain Request**

In addition to cost recovery for the gas and electric accounts identified in Sections 1.1.1 and 1.1.2 above, PG&E also requested recovery of \$10.479 million of capital expenditures, which represents 60 percent of the audited Commission-jurisdictional costs for upgrading PG&E's East Grand and FMC substations to enable electrification of Caltrain's commuter rail service between San Jose and San Francisco. PG&E also requested that the Commission reaffirm the 60 percent/40 percent cost allocation that was included in the Caltrain settlement agreement approved by the Commission in Decision (D.) 20-05-008.

### **1.2 Other Requests**

In Track 2, PG&E requested that the Commission approve closure of the Greenhouse Gas Expense Memorandum Account (GHGEMA), effective January 1, 2023.

PG&E also requested a reasonableness review of \$272.2 million in costs associated with the Mobile Home Park (MHP) Pilot Program completed between January 1, 2018 and December 31, 2020. These costs were recorded and recovered in the Mobile Home Park Balancing Account (MHPBA).

## **2. SETTLING PARTIES**

PG&E is an investor-owned public utility and is subject to the jurisdiction of the Commission, including with respect to providing natural gas transmission and storage, natural gas distribution, and electric distribution services.

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<sup>3</sup> PG&E removed from its Track 2 request, Wildfire Mitigation Plan Memorandum Account (WMPMA) and Fire Risk Mitigation Memorandum Account (FRMMA) balances included in its June 30, 2021 Prepared Testimony. PG&E indicated that it would seek recovery of these costs in a future application.

Cal Advocates is an independent consumer advocacy organization at the Commission whose statutory mission includes obtaining the lowest possible rate for service consistent with reliable and safe service levels, and the state’s environmental goals.

PG&E and Cal Advocates are collectively referred to as “Settling Parties.”

### 3. SETTLEMENT TERMS AND CONDITIONS

In accordance with Article 12 of the CPUC Rules of Practice and Procedure (Rule), the Settling Parties mutually enter into this Settlement Agreement (Settlement) to resolve all disputed issues regarding Track 2 of PG&E’s 2023 GRC without the need for an evidentiary hearing before the Commission.

**3.1** In consideration of the mutual obligations, covenants and conditions contained herein, the Settling Parties agree to the terms of this Settlement. This Settlement resolves all Track 2 issues.

**3.2** The Settling Parties agree that PG&E’s total cost recovery for the Track 2 Accounts shall be \$183.353 million of recorded expense costs (a reduction of \$25.600 million to PG&E’s total request of \$208.953 million) and \$126.666 million of recorded capital costs (a reduction of \$2.300 million to PG&E’s total request of \$128.966 million). The specific agreement for each Track 2 account is shown below in Table 1 (expense amounts) and Table 2 (capital expenditure amounts).

**Table 1: Summary of Agreed To Settlement Expense Amounts  
(\$ in millions)**

| Expense  | Total PG&E Request <sup>4</sup> | Cal Advocates Proposed Reduction | Settlement Reduction | Settlement Recoverable Costs |
|--|---------------------------------|----------------------------------|----------------------|------------------------------|
| <b>Gas Accounts</b>  |                                 |                                  |                      |                              |
| Gas Statutes Regulations and Rules Memorandum Account (GRSSMA) | \$27.833                        | \$27.800                         | \$9.000              | \$18.833                     |

<sup>4</sup> Total PG&E request is based on PG&E’s December 23, 2022 errata.

| <b>Expense</b>   | <b>Total PG&amp;E Request<sup>4</sup></b> | <b>Cal Advocates Proposed Reduction</b> | <b>Settlement Reduction</b> | <b>Settlement Recoverable Costs</b> |
|--|---|---|-----------------------------|-------------------------------------|
| Critical Documents Program Memorandum Account (CDPMA)            | \$15.051                                  | \$15.051                                | \$5.900                     | \$9.151                             |
| Internal Corrosion Direct Assessment Memorandum Account (ICDAMA) | \$14.320                                  | \$11.600                                | \$5.000                     | \$9.320                             |
| In-Line-Inspection Memorandum Account (ILIMA)                    | \$148.416                                 | \$5.700                                 | \$5.700                     | \$142.716                           |
| Dairy Biomethane Solicitation Memorandum Account (DBSMA)         | \$0.067                                   | \$0.067                                 | \$0                         | \$0.067                             |
| Transmission Integrity Management Program (TIMPMA)               | \$0.315                                   | Uncontested                             | \$0                         | \$0.315                             |
| Gas Storage Balancing Account (GSBA)                             | (\$6.456)                                 | Uncontested                             | \$0                         | (\$6.456)                           |
| <b>Electric Accounts</b>   |   |   |                             |                                     |
| Distribution Resources Plan Tools Memorandum Account (DRPTMA)    | \$9.022                                   | \$0.484                                 | \$0                         | \$9.022                             |
| Avoided Cost Calculator Update Memorandum Account (ACCUMA)       | \$0.385                                   | Uncontested                             | \$0                         | \$0.385                             |
| <b>Total Expense</b>   | <b>\$208.953</b>                          | <b>\$60.703</b>                         | <b>\$25.600</b>             | <b>\$183.353</b>                    |



**Table 2: Summary of Agreed To Settlement Capital Expenditure Amounts  
(\$ in millions)**

| <b>Capital</b>   | <b>Total PG&amp;E Request<sup>5</sup></b> | <b>Cal PA Proposed Reduction</b> | <b>Settlement Reduction</b> | <b>Settlement Recoverable Costs</b> |
|--|---|----------------------------------|-----------------------------|-------------------------------------|
| <b>Gas Accounts</b>  |   |                                  |                             |                                     |
| Line 407 Memorandum Account (L407MA)                               | \$8.977                                   | \$3.700                          | \$0                         | \$8.977                             |
| M&C Station Over Pressure Protection Memorandum Account (MCOPPMMA) | \$44.297                                  | Uncontested                      | \$0                         | \$44.297                            |
| Gas Storage Balancing Account (GSBA)                               | \$59.129                                  | Uncontested                      | \$0                         | \$59.129                            |
| <b>Electric Accounts</b>   |   |                                  |                             |                                     |
| Caltrain Substation Upgrades                                       | \$10.476                                  | \$10.479                         | \$2.300                     | \$8.176                             |
| Distribution Resources Plan Tools Memorandum Account (DRPTMA)      | \$6.087                                   | \$1.100                          | \$0                         | \$6.087                             |
| <b>Total Capital Expenditures</b>                                  | <b>\$128.966</b>                          | <b>\$15.279</b>                  | <b>\$2.300</b>              | <b>\$126.666</b>                    |

**3.3** The revenue requirement for recovery of the amounts agreed to above in Tables 1 and 2 shall be calculated consistent with the methodology described in PG&E's Prepared Testimony (Exhibit PG&E-80), Chapter 7 except that the amounts in that chapter shall be replaced with the settled amounts indicated in Tables 1 and 2 above. The Settling Parties also agree that the gas revenue requirement associated with the amounts in Tables 1 and 2 will be recovered over two years as described in PG&E's Prepared Testimony (Exhibit PG&E-80), Chapter 7, p. 7-13, lines 7-11.

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<sup>5</sup> Total PG&E request is based on PG&E's December 23, 2022 errata.

**3.4** The Settling Parties agree that the \$272.2 million in costs PG&E incurred for projects completed in the MHP Pilot Program from January 1, 2018, through December 31, 2020, were reasonably incurred.

**3.5** The Settling Parties agree the Commission should reaffirm the 60 percent/40 percent cost allocation that was included in the Caltrain settlement agreement approved by the Commission in D.20-05-008.

**3.6** The Settling Parties agree to closure of the GHGEMA effective January 1, 2023.

**3.7** The \$2.3 million adjustment associated with the Caltrain Station Upgrades is a permanent reduction from PG&E's distribution (i.e., CPUC-jurisdictional) ratebase. This agreement does not preclude PG&E from seeking recovery of this amount in transmission (FERC-jurisdictional) rates.

#### **4. GENERAL TERMS AND CONDITIONS**

**4.1 *Commission's Primary Jurisdiction.*** The Settling Parties agree that the Commission has primary jurisdiction over any interpretation, enforcement, or remedies regarding this Settlement. None of the Settling Parties may bring an action regarding this Settlement in any State or Federal court or administrative agency without having first exhausted its administrative remedies at the Commission.

**4.2 *Further Actions.*** The Settling Parties acknowledge that this Settlement is subject to approval by the Commission. As soon as practicable after all the Settling Parties have signed the Settlement, the Settling Parties through their respective attorneys shall prepare and file a Joint Motion for Approval and Adoption of the Settlement. The Settling Parties shall furnish such additional information, documents, or testimonies as the Commission may require for purposes of granting the Joint Motion and approving and adopting the Settlement. In accordance with Rule 12.6 of the Commission's Rules of Practice and Procedure, if this Settlement is not adopted by the Commission, its terms are inadmissible in any evidentiary hearing unless their admission is agreed to by the Settling Parties.

**4.3 *No Personal Liability.*** None of the Settling Parties, or their respective

employees, attorneys, or any other individual representative or agent, assumes any personal liability as a result of the Settling Parties signing this Settlement.

**4.4     *Non-Severability.*** The provisions of this Settlement are non-severable.

**4.5     *Voluntary and Knowing Acceptance.*** Each of the Settling Parties acknowledges and stipulates that it is agreeing to this Settlement freely, voluntarily, and without any fraud, duress, or undue influence by any other Settling Party. Each Settling Party has read and fully understands its rights, privileges, and duties under this Settlement, including its right to discuss this Settlement with its legal counsel, which has been exercised to the extent deemed necessary.

**4.6     *Settlement is Reasonable Based on the Record.*** In executing this Settlement, each Settling Party declares and mutually agrees that the terms and conditions are reasonable in light of the whole record, consistent with law, and in the public interest.

**4.7     *Entirety of Agreement.*** This Settlement constitutes the entire understanding and agreement of the Settling Parties regarding the matters set forth herein. All prior oral or written agreements, settlements, principles, negotiations, statements, representations, or understandings whether oral or in writing regarding any matter set forth in this Settlement, are expressly waived and have no further force or effect. In the event there is any conflict between the terms and scope of this Settlement and the terms and scope of the accompanying joint motion in support of the Settlement, the Settlement shall govern.

**4.8     *No Modification.*** The Settlement may not be altered, amended, or modified in any respect except in writing and with the express written and signed consent of all the Settling Parties except as provided in Section 4.19 below.

**4.9     *No Reliance.*** None of the Parties has relied or presently relies on any statement, promise, or representation by any other Settling Party, whether oral or written, except as specifically set forth in this Settlement. Each Settling Party expressly assumes the risk of any mistake of law or fact made by such Settling Party or its authorized representative.

**4.10    *Counterparts.*** This Settlement may be executed in separate counterparts by the different Settling Parties hereto and all so executed counterparts shall be binding and have the

same effect as if all the Settling Parties had signed one and the same document. All such counterparts shall be deemed to be an original and together constitute one and the same Settlement, notwithstanding that the signatures of the Settling Parties and/or of a Settling Party's attorney or other representative do not appear on the same page of this Settlement.

**4.11 *Binding upon Full Execution.*** This Settlement shall become effective and binding on each of the Settling Parties as of the date when it is fully executed. It shall also be binding upon each of the Settling Parties' respective successors, subsidiaries, affiliates, representatives, agents, officers, directors, employees, and personal representatives, whether past, present, or future.

**4.12 *Commission Adoption Not Precedential.*** In accordance with Rule 12.5, the Settling Parties agree and acknowledge that unless the Commission expressly provides otherwise, Commission approval and adoption of this Settlement does not constitute approval of or precedent regarding any principle or issue of law or fact in this or any other current or future proceeding.

**4.13 *Enforceability.*** The Settling Parties agree and acknowledge that after issuance of the Commission decision approving and adopting this Settlement, the Commission may reassert jurisdiction and reopen this proceeding to enforce the terms and conditions of this Settlement.

**4.14 *Finality.*** Once fully executed by the Settling Parties and adopted and approved by a Commission Decision, this Settlement fully and finally settles any and all disputes among and between the Settling Parties in Track 2 of this proceeding.

**4.15 *No Admission.*** Nothing in this Settlement or related negotiations may be construed as an admission of any law or fact by any of the Settling Parties, or as precedential or binding on any of the Parties in any other proceeding whether before the Commission or in any state or federal court or administrative agency. Further, unless expressly stated herein this Settlement does not constitute an acknowledgement, admission, or acceptance by any of the Settling Parties regarding any issue of law or fact in this matter, or the validity or invalidity of any particular method, theory, or principle of ratemaking or regulation in this or any other

proceeding. This Settlement represents a compromise of disputed claims between the Settling Parties after arm's-length negotiations. The Settling Parties have reached this Settlement after taking into account the possibility that each Settling Party may or may not prevail on any given issue.

**4.16 *Authority to Sign.*** Each Settling Party executing this Settlement represents and warrants to the other Settling Party that the individual signing this Settlement and the related Motion has the legal authority to do so on behalf of the Settling Party.


**4.17 *Limited Admissibility.*** Each Settling Party signing this Settlement agrees and acknowledges that this Settlement shall be admissible in any subsequent Commission proceeding for the sole purpose of enforcing the terms and conditions of this Settlement.

**4.18 *Estoppel or Waiver.*** Unless expressly stated herein, the Settling Parties' execution of this Settlement is not intended to provide any of the Settling Parties in any manner a basis of estoppel or waiver in this or any other proceeding.

**4.19 *Rejection or Modification of the Settlement.*** The Settling Parties agree that if the Administrative Law Judge and/or the Commission issues a proposed decision that fails to adopt the Settlement in its entirety and adds a change unacceptable to any Settling Party, the Settling Parties shall meet and confer to discuss a resolution within 5 days of the date the proposed decision is issued. The Settling Parties will make best efforts to prepare joint comments on the proposed decision that support adoption of the Settlement in full. The Settling Parties agree that if the Commission fails to adopt this Settlement in its entirety and without modification in a final decision, the Settling Parties shall convene a settlement conference within 15 days thereof to discuss whether they can resolve the issues raised by the Commission's actions. If the Settling Parties cannot mutually agree to resolve the issues raised by the Commission's actions, the Settlement shall be rescinded, and the Settling Parties shall be released from their obligation to support the Settlement. Thereafter, the Settling Parties may pursue any action they deem appropriate but agree to cooperate in establishing a procedural schedule. Settling Parties reserve all rights set forth in Rule 12.4.

5. CONCLUSION

Each of the Settling Parties has executed this Settlement as of the date appearing below their respective signature.

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| <p>THE PUBLIC ADVOCATES OFFICE AT<br/>THE CALIFORNIA PUBLIC UTILITIES<br/>COMMISSION</p> <p>By: </p> <p>Name: <u>Linda Serizawa</u></p> <p>Title: <u>Deputy Director</u></p> <p>Date: <u>January 5, 2023</u></p> | <p>PACIFIC GAS AND ELECTRIC<br/>COMPANY<br/>A California Corporation</p> <p>By: _____</p> <p>Name: _____</p> <p>Title: _____</p> <p>Date: _____</p> |
|---|---|

## 5. CONCLUSION

Each of the Settling Parties has executed this Settlement as of the date appearing below their respective signature.

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| THE PUBLIC ADVOCATES OFFICE AT<br>THE CALIFORNIA PUBLIC UTILITIES<br>COMMISSION | PACIFIC GAS AND ELECTRIC<br>COMPANY<br>A California Corporation |
| By: _____   | By: <u>David Thomason</u>                                       |
| Name: _____   | Name: <u>David Thomason</u>                                     |
| Title: _____  | Title: <u>VP, Controller</u>                                    |
| Date: _____   | Date: <u>01/05/2023</u>   |